



**Jim
Honeyford**

Olympia Report



State Senator • 15th District

April 18, 2003

Tops Stories

- ✓ Democrats answer Senate Republican's no-new-taxes budget with a proposal to raise the sales tax.
- ✓ Senate Republicans invest in more high-tech jobs and new jobs in rural Washington.
- ✓ Bipartisan Senate vote puts \$400 million in cigarette taxes to work for health care needs.
- ✓ Responsible transportation plan passes Senate: Funds projects from start to finish, makes investments in all 39 counties, creates family-wage jobs.

Living within our means. On April 4, Senate Republicans sent the House of Representatives a budget for the next two years that addressed the state's revenue shortfall with no general tax increases. On April 16, majority Democrats in the House unveiled their budget: \$350 million more in sales taxes on Washington citizens struggling under high unemployment; \$180 million in new "sin taxes", including a new tax on candy and gum; \$28 million in more gambling revenue by increasing the state-run Keno game; and \$100 million in cuts to business tax incentives intended to stimulate the economy. In the meantime, the state's chief economist told legislators that revenues are up slightly over his earlier prediction – \$12.5 million – but warned that in a \$22 billion budget that did not offset the significant need to build a reserve in an economy that continues to be rocky. The Senate-passed budget put \$253 million in reserves.

High-tech jobs: Good pay, clean industry, a win-win situation for Washington. Washington has been a leader in clean, high-tech industries, but the market is very competitive. To encourage the retention and growth of high-tech research and development jobs, Washington has offered tax incentives to help these companies keep more money to reinvest in their future and the creation of new jobs. Thirty-seven other states offer tax incentives to lure high-tech companies. To keep Washington on the map for these firms, it is necessary to keep Washington's incentives from expiring. **SB 5529** and **SB 5531** retain the business and occupation tax credit and the deferral program for the sales and use tax for high-tech research and development.

Depressed areas in rural Washington to benefit from tax breaks for call centers. Call centers comprise a very competitive industry with family wage jobs. They provide customer service and support by responding to incoming calls and electronic contacts using computer-automated equipment. In 1999, the Legislature gave call centers locating in rural counties a 100 percent business and occupation tax credit. **SB 5319** further invests in the development of these firms where jobs are badly needed by providing sales and use tax exemptions on: equipment and repairs, construction labor and material costs, and network telephone toll services.

\$400 million in cigarette taxes won't just sit on shelf while low-income families go without health care coverage. In 2001, Washington voters approved Initiative 773 to increase the tax on cigarettes to expand the state's Basic Health Plan (BHP). The BHP was created to provide state-subsidized health care coverage for low-income working people who do not have employer-provided insurance. The new tax was to expand the program over the 125,000 enrollees subsidized at the time. With a \$3 billion shortfall facing the state, the general fund can no longer support 125,000 enrollees. As a result, roughly \$400 million in new cigarette taxes would just accumulate with no authority to spend it. **SB 6057** amends I-773 so that money can be used to save coverage for those already depending on it.

\$71.7 million worth of public works projects creating hundreds of jobs statewide signed into law on April 4. **HB 1063** gets construction underway for sewer, water, road and bridge projects across the state. After spending the \$71.1 million for this year's projects, an additional \$11 million will remain in the Public Works Trust Fund (PWTF) for planning and emergency projects. The PWTF provides low-interest loans to local governments and special purpose districts for needed public facilities. (Senate version, **SB 5300**)

Committee assignments:

Agriculture and Rural Economic Development
Environmental Quality and Water Resources
Ways and Means
Republican Assistant Whip

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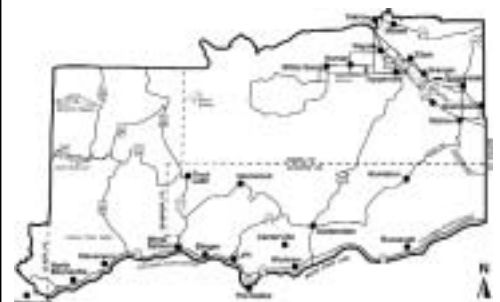
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15th District

Capital Budget Highlights (SB 5401)

Schools – \$402 million for construction grants; \$4.8 million for security upgrades.

Colleges – \$370 million for building and infrastructure preservation.

Mental Health – completion of \$51 million, 240-bed offender facility and renovation of cottages at the Child Study Treatment Center at Western State Hospital.

Juvenile Rehabilitation – \$3.6 million for improvements at Maple Lane School and Echo Glen School.

State Parks – \$27 million, including \$8.6 million for facility improvements and \$7.3 million for specific park improvements.

Real money, real jobs: All of the projects funded in the Capital Budget not only preserve and protect taxpayer investments in public facilities, but also retain and create 14,500 good private sector jobs for Washington citizens. Capital Budget monies come from bond sales and special accounts like the school construction account funded by timber sales from state forestlands.

New fuels pollute less, use renewable resources. Biodiesel fuel is a non-petroleum diesel fuel produced from such renewable resources as vegetable oils, animal fats and recycled cooking oils. It can be blended at any percentage with petroleum diesel or used as a pure product and is less of an air pollutant than petroleum diesel. Alcohol fuels, such as ethanol, are made from crops such as corn and sugar cane or from waste paper, grasses or tree trimmings. The production of these alternative fuels is a potential growth industry in Washington that will create new jobs and new uses for renewable resources. The Senate has approved several tax incentives to jump-start the industry (**HB 1240, HB 1241**) and a bill to encourage state agencies to use

a biodiesel fuel blend for diesel fuel vehicles (**HB 1242**). The Senate added an expiration date to the tax incentives in HB 1240, sending this measure back to the House for concurrence. HB 1241 and HB 1242 are on their way to the governor to be signed into law.

Bill makes governor sign off on new rules that invoke penalties and sanctions on Washington's employers. SB 1531, approved by both the House and Senate, requires the governor to sign all significant new rules from agencies under his authority. New rules that fall under this measure are rules that invoke penalties or sanctions for non-compliance, rules that affect eligibility for a license or permit, and rules that create new programs. This measure makes an elected official directly accountable for bureaucratic red tape that can hurt businesses and put people out of work.

Taxpayer protection signed into law. Counties that send property tax bills to the wrong address can no longer charge interest or penalties for late payments when the address error was made by the county assessor's office. This common sense bill passed the House and Senate unanimously and was signed into law on April 10. (HB 1069)

As a way to help cut mailing costs, I'm offering to send my session updates to you via e-mail. If you would like to receive future updates by e-mail, please call my Olympia office at (360) 786-7684 or e-mail my session aide Patrick Connor at connor_pa@leg.wa.gov.

Please visit the Senate Republican Web site at www.src.wa.gov for up-to-date news.

Toll-free legislative hotline:
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